

S P E C I F I C A T I O N

Attorney Docket No. 501693.000002

TO ALL WHOM IT MAY CONCERN:

BE IT KNOWN that I, John Ridings Lee, a United States citizen, residing in the city of Dallas, Texas, have invented new and useful improvements in a

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

of which the following is a specification:

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by JRC Reth

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

CROSS-REFERENCE TO RELATED APPLICATIONS

5 [0001] This application claims the benefit of U.S. Provisional Application No. 60/322,155, filed September 14, 2001, which is hereby incorporated by reference.

10 [0002] This application is filed concurrently with an application entitled "System and Method for Designing a Life Insurance Program For an Organization," also invented by John Ridings Lee. The concurrently filed application is incorporated by reference to the maximum extent allowable by law.

BACKGROUND OF THE INVENTION

15 **1. Field of the Invention**

[0003] This invention relates generally to a method of raising funds and in particular to a method of raising funds for an organization through which the organization receives death benefit payments from a life insurance pool.

20 **2. Description of Related Art**

[0004] Fund raising is important to many corporations and other organizations. Non-profit organizations in particular often benefit from the monetary donations of supporters. Charities, churches, schools, hospital foundations, and other groups are usually considered non-profit organizations, and in many legal jurisdictions these organizations receive favorable tax treatment and consideration.

[0005] Organizations that rely on fund raising have traditionally allowed supporters to donate the benefit payments from life insurance policies. The traditional method of donation required the individual donor to purchase a life insurance policy and designate the organization as the beneficiary. The individual donor was the owner of the policy. The primary problem with this method of donation was the level of commitment required by the individual donor. In order for the organization to finally collect on the donation, the individual donor would have to pay premiums on the policy up until his own death. Needless to say, many of these policies eventually lapsed, and the organization never realized any gain. Similar problems occurred if the individual donor had a "parting of ways" with the organization, or if the donor found new organizations he wished to support.

[0006] Organizations soon discovered a solution to the "donor owned" method of donating life insurance benefits. Since an organization is permitted to hold insurable interests on the lives of its donors, the organization can purchase and own life insurance policies on the lives of those donors that consent. As the owner of the policy, the organization pays the premiums, thereby controlling the policy to which it is the beneficiary. However, the attractiveness of such a plan is minimal when the life insurance policy is purchased on the life of one or only a few

donors. An organization doing so is essentially gambling with the insurance company that the amount of premiums paid by the organization will be less than the amount of death benefits obtained from the policies. Such a fund-raising plan would not be seriously considered by most organizations.

5 [0007] The creation of foundation-owned life insurance (FOLI) eliminated some of the risks associated with an organization purchasing life insurance on the lives of its donors. Instead of purchasing a small number of policies, a group of policies is purchased on the lives of many donors who have consented to participation. Although FOLI eliminated some of the risks associated with buying only a few policies, these life insurance policies require full medical underwriting, and no attempt is made to structure the pool of donors based upon age and gender. This often haphazard method of obtaining donor pools results in a substantially low level of predictability with respect to mortality of donors. While mortality tables can somewhat predict the outcome of an established pool, the donor pools are not constructed to yield consistent death benefit payments since the probability of death in the group of donors can vary widely from year to year.

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[0008] A need therefore exists for a fund-raising method that allows an organization to purchase life insurance policies on a pool of donors and predictably receive death benefit payments that are credited to the organization. A need also exists for a method of raising funds for an organization where the organization purchases life insurances policies for a pool of donors, 20 the pool being constructed such that death benefit payments from the policies are predictably paid to the organization, thereby funding any recurring premium payments on the remaining life

insurance policies. Finally, a need exists for a fund-raising method that allows an organization to purchase life insurance policies on a pool of donors, wherein each of the life insurance policies builds a cash surrender value from which recurring premium payments can be paid during time periods in which the death benefit payments are not sufficient to pay for the recurring premium payments.

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BRIEF SUMMARY OF THE INVENTION

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[0009] The problems presented in raising funds for an organization through the purchase of life insurance policies on the organization's donors are solved by the systems and methods of the present invention. In accordance with one embodiment of the present invention, a method of raising funds for an organization is provided. The first step of the method includes obtaining a list of donors that have been selected to form a participant pool and that will participate in a life insurance program. The participant pool is structured such that it generally conforms to a mortality matrix that describes an "ideal" participant pool. The ideal participant pool includes pool members of selected age and gender.

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[0010] After obtaining the list of donors, the organization purchases a life insurance policy on the life of each donor in the participant pool. This can be accomplished in many different ways, but preferably includes the steps of paying an advance premium payment and subsequently paying a number of recurring premium payments. The advance premium payment can be borrowed by or donated to the organization. The organization receives a death benefit payment upon the death of one of the donors in the participant pool. Preferably, the death benefit payments received during any given year of the life insurance program will be sufficient to fund the recurring premium payments for that year. In the event that the death benefit payment does not exceed the recurring premium payment, a cash surrender value associated with each life insurance policy can be used to fund the remaining portion of the recurring premium payment.

[0011] One object of the present invention is to provide a method by which an

organization can predictably raise funds through the purchase of life insurance policies on its donors. Another object of the present invention is to provide a method in which a participant pool of donors is selectively structured based upon donors' ages, genders, and smoking classifications. Another object of the present invention is to provide a method in which donors participating in the life insurance program are not required to undergo medical examinations.

5 [0012] Other objects, features, and advantages of the present invention will become apparent with reference to the drawings and detailed description that follow.

BRIEF DESCRIPTION OF THE DRAWINGS

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[0013] FIG. 1 illustrates a flowchart showing a method of raising funds for an organization, the fund raising method including the step of purchasing life insurance policies on a participant pool of donors according to the present invention.

[0014] FIG. 2 depicts a flowchart which demonstrates steps for determining which donors are included in the participant pool.

[0015] FIG. 3 illustrates a schematic of a mortality matrix, which is used to construct the participant pool of donors.

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DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT

[0016] In the following detailed description of the preferred embodiments, reference is made to the accompanying drawings which form a part hereof, and in which is shown by way of illustration specific preferred embodiments in which the invention may be practiced. These embodiments are described in sufficient detail to enable those skilled in the art to practice the invention, and it is understood that other embodiments may be utilized and that logical changes may be made without departing from the spirit or scope of the invention. To avoid detail not necessary to enable those skilled in the art to practice the invention, the description may omit certain information known to those skilled in the art. The following detailed description is, therefore, not to be taken in a limiting sense, and the scope of the present invention is defined only by the appended claims.

[0017] Unless otherwise mentioned, the term "donor" as used throughout this application refers to a person who has contributed an insurable interest in his or her life to an organization. Use of the term "life donor" is also appropriate, however, in most instances only the term "donor" is used. Donors are divided into three classifications, which are more fully described herein: prospective or potential donors, consenting donors, and enrolled donors.

[0018] Referring to FIG. 1 in the drawings, a method of fund raising for an organization 11, or for a group of organizations is illustrated. One of the first steps in the fund-raising method 11 is soliciting potential donors 13 for participation in a life insurance program. This step can be performed by the organization seeking to raise funds, or by another entity, such

as an administrative entity that assists the organization in its fund-raising efforts. Potential
donors could include persons who have previously donated to the organization or persons who
have not previously donated. After compiling a list of potential donors, the organization or
5 administrative entity solicits each donor either by mail, telephone, email, or any other means of
communications. In some instances, the communication with donors may be "face-to-face"
communication that occurs at a program or seminar arranged on behalf of the organization.

[0019] During the solicitation phase, potential donors are asked to provide consent for
participation in the life insurance program, and consenting donors are asked to provide certain
biographical information about themselves. The requested biographical information includes
10 information about the donor's gender, age, and an indication of whether the donor smokes
tobacco-related products (referred to herein as a "smoking classification"). A donor's answer to
these biographical questions provides valuable information that is used to determine which
donors will be allowed to participate in the life insurance program. It is important to note that
donors are never asked to undergo a medical exam. This saves the expense of performing
15 medical exams and results in a higher level of consent among solicited donors.

[0020] The solicitation of potential donors allows the organization to obtain a list of
donors who consent to participation in the life insurance program. The list of consenting donors
is examined and analyzed to determine which donors will then be included in the life insurance
program. Although this step of analysis and determination could be performed by the
20 organization, it is more likely that the administrative entity or a person or entity familiar with life
insurance mortality predictions will conduct this step.

[0021] Referring to FIG. 2 in the drawings, the determination of which donors to include in the life insurance program is not an individual qualification process for each donor. Instead, a participant pool (or a matrix-driven mortality pool) of donors is constructed such that the pool contains a selected distribution of donors among various ages, genders, and smoking classifications. In the preferred embodiment, the participant pool will include one thousand donors. Although the participant pool could contain more or fewer donors, as the number of donors in the participant pool decreases, so does the predictability of mortality for any given year or the life of the life of the program.

[0022] Referring still to FIG. 2, but also to FIG. 3 in the drawings, the process of forming the participant pool is more specifically illustrated. A mortality matrix 51 is constructed that describes an ideal participant pool having pool members of selected ages, genders, and smoking classifications. The mortality matrix is constructed by selecting an average age for the pool members of the ideal participant pool. The ideal participant pool includes a selected percentage of the total number of pool members at an age within a selected deviation 53 of the average age. In a preferred embodiment, the average age of the pool members is forty (40) years and approximately twenty percent (20%) of the pool members are between the ages of thirty-seven (37) and forty-three (43) years. The average age of the mortality matrix 51 could vary depending on the design parameters of the mortality matrix 51, and the percentage of pool members within the selected deviation 53 of the average age could also vary.

[0023] Mortality matrix 51 includes an upper age limit 55 and a lower age limit 57 for pool members. Preferably, the upper age limit 55 for pool members is seventy five (75) years

and the lower age limit 57 is twenty five (20) years. As demonstrated in FIG. 3, the percentage of pool members at ages outside of the selected deviation 53 generally decreases as the upper age limit 55 is approached. Similarly, the percentage of pool members at ages outside of the selected deviation 53 generally decreases as the lower age limit 57 is approached. The exact percentage of pool members at any particular age outside of the selected deviation depends on the mortality matrix design parameters.

[0024] Pool members between the ages of twenty and twenty-five and pool members between the ages of seventy and seventy-five are considered to be life adjusters 59. The role of life adjusters 59 is to allow adjustment of the mortality matrix during construction.

[0025] In the preferred embodiment, the mortality matrix includes an age, gender, and smoking classification distribution as illustrated in Table 1. The construction of the mortality matrix is a multiple step, iterative process. The first step is to determine the average age of the list of consenting donors. The list of consenting donors is preferably greater than the participant pool that is being formed. When attempting to form a 1000 donor participant pool, it is best to have at least 1400 consenting donors. After determining the average age of the consenting donors, some donors are omitted from the pool based upon age in order to obtain an average age of approximately 40 years. After adjustment of the pool to obtain the desired average age, some donors having ages within the selected deviation are taken out of the participant pool such that only 20% of the donors in the final participant pool will have ages within the selected deviation.

Preferably, the selected deviation is 3 years on either side of the average age. For a pool having an average age of forty, the selected deviation would be between 37 and 43 years. For a pool of

1000 donors, approximately 200 donors in the pool would be between the ages of 37 and 43 years.

[0026] After placing donors within the selected deviation, the participant pool is constructed such that approximately 50% of the remaining donors are at ages above the selected 5 deviation (ages 43 to 70) and approximately 50% of the remaining donors are at ages below the selected deviation (ages 25 to 37). Generally, it is preferred that the distribution of these donors is such that the number of donors generally decreases from the selected deviation to either the upper age limit or the lower age limit. However, this could vary slightly among any particular age if adjustments need to be made to maintain the average age of the participant pool.

[0027] At each step of the above construction process, the donors forming the participant pool are chosen such that there is a fairly even distribution of male and female genders. Additionally, the percentage of smokers and non-smokers can be adjusted to manipulate the premium price to the organization. Preferably, the mortality matrix allows only 15% of the donors to be smokers. The remaining 85% of the pool members should not smoke tobacco-related products. Finally, life adjusters can also be used to manipulate the premium prices paid by the organization. The addition of life adjusters allows the average age of the participant pool to be easily adjusted.

Age	Male	Male	Female	Female
	NS	Smoker	NS	Smoker
25	11	1	11	1
26	12	1	12	1
27	13	1	13	1
28	14	1	14	1

29	15	1	15	1
30	16	1	16	1
31	17	1	17	1
32	18	1	18	1
33	19	1	19	1
34	20	2	20	2
35	21	2	21	2
36	22	2	22	2
37	12	2	12	2
38	12	2	12	2
39	12	2	12	2
40	12	2	12	2
41	12	2	12	2
42	12	2	12	2
43	12	2	12	2
44	12	1	12	1
45	12	1	12	1
46	12	1	12	1
47	12	1	12	1
48	12	1	12	1
49	9	1	9	1
50	9	1	9	1
51	9	1	9	1
52	9	1	9	1
53	9	1	9	1
54	7	1	7	1
55	7	1	7	1
56	7	1	7	1
57	7	1	7	1
58	7	1	7	1
59	5	1	5	1
60	4	1	4	1
61	4	1	4	1
62	4	1	4	1
63	4	0	4	0
64	2	0	2	0
65	2	0	2	0
66	1	0	1	0
67	1	0	1	0
68	1	0	1	0

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69	1	0	1	0
70	1	0	1	0

Table 1: Preferred Mortality Matrix

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[0028] Table 2 illustrates some of the possible variations allowed for the participant pool. The participant pool formed for the life insurance program is not absolutely required to have 1000 donors. Instead, the pool could have fewer or more donors. The pool illustrated in Table 2 has 910 donors, and the distributions of ages and genders is less structured than that shown in Table 1. Although it would be ideal to form a participant pool having the distribution of Table 1, this is sometimes not practical. It should also be noted that the participant pool represented by Table 2 includes only non-smokers.

Age	Type of Donor	Number
25	Count of Female Non-Smoker	4
	Count of Female Smoker	0
	Count of Male Non-smoker	4
	Count of Male Smoker	0
26	Count of Female Non-Smoker	7
	Count of Female Smoker	0
	Count of Male Non-smoker	4
	Count of Male Smoker	0
27	Count of Female Non-Smoker	4
	Count of Female Smoker	0
	Count of Male Non-smoker	2
	Count of Male Smoker	0
28	Count of Female Non-Smoker	5
	Count of Female Smoker	0
	Count of Male Non-smoker	2
	Count of Male Smoker	0
29	Count of Female Non-Smoker	2
	Count of Female Smoker	0
	Count of Male Non-smoker	1
	Count of Male Smoker	0

	30	Count of Female Non-Smoker	5
5		Count of Female Smoker	0
		Count of Male Non-smoker	8
		Count of Male Smoker	0
	31	Count of Female Non-Smoker	8
		Count of Female Smoker	0
10		Count of Male Non-smoker	2
		Count of Male Smoker	0
	32	Count of Female Non-Smoker	9
		Count of Female Smoker	0
15		Count of Male Non-smoker	4
		Count of Male Smoker	0
	33	Count of Female Non-Smoker	8
		Count of Female Smoker	0
20		Count of Male Non-smoker	2
		Count of Male Smoker	0
	34	Count of Female Non-Smoker	4
		Count of Female Smoker	0
25		Count of Male Non-smoker	2
		Count of Male Smoker	0
	35	Count of Female Non-Smoker	8
		Count of Female Smoker	0
30		Count of Male Non-smoker	4
		Count of Male Smoker	0
	36	Count of Female Non-Smoker	12
		Count of Female Smoker	0
35		Count of Male Non-smoker	9
		Count of Male Smoker	0
	37	Count of Female Non-Smoker	6
		Count of Female Smoker	0
40		Count of Male Non-smoker	7
		Count of Male Smoker	0
	38	Count of Female Non-Smoker	9
		Count of Female Smoker	0
45		Count of Male Non-smoker	15
		Count of Male Smoker	0
	39	Count of Female Non-Smoker	17
		Count of Female Smoker	0
		Count of Male Non-smoker	12
		Count of Male Smoker	0
	40	Count of Female Non-Smoker	13
		Count of Female Smoker	0
		Count of Male Non-smoker	7
		Count of Male Smoker	0
	41	Count of Female Non-Smoker	10

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		Count of Female Smoker	0
		Count of Male Non-smoker	10
		Count of Male Smoker	0
5	42	Count of Female Non-Smoker	10
		Count of Female Smoker	0
		Count of Male Non-smoker	5
		Count of Male Smoker	0
10	43	Count of Female Non-Smoker	18
		Count of Female Smoker	0
		Count of Male Non-smoker	5
		Count of Male Smoker	0
15	44	Count of Female Non-Smoker	10
		Count of Female Smoker	0
		Count of Male Non-smoker	5
		Count of Male Smoker	0
20	45	Count of Female Non-Smoker	12
		Count of Female Smoker	0
		Count of Male Non-smoker	14
		Count of Male Smoker	0
25	46	Count of Female Non-Smoker	9
		Count of Female Smoker	0
		Count of Male Non-smoker	11
		Count of Male Smoker	0
30	47	Count of Female Non-Smoker	9
		Count of Female Smoker	0
		Count of Male Non-smoker	9
		Count of Male Smoker	0
35	48	Count of Female Non-Smoker	14
		Count of Female Smoker	0
		Count of Male Non-smoker	4
		Count of Male Smoker	0
40	49	Count of Female Non-Smoker	17
		Count of Female Smoker	0
		Count of Male Non-smoker	8
		Count of Male Smoker	0
45	50	Count of Female Non-Smoker	13
		Count of Female Smoker	0
		Count of Male Non-smoker	5
		Count of Male Smoker	0
50	51	Count of Female Non-Smoker	11
		Count of Female Smoker	0
		Count of Male Non-smoker	14
		Count of Male Smoker	0
55	52	Count of Female Non-Smoker	10
		Count of Female Smoker	0

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		Count of Male Non-smoker	11
		Count of Male Smoker	0
5	53	Count of Female Non-Smoker	18
		Count of Female Smoker	0
		Count of Male Non-smoker	11
		Count of Male Smoker	0
10	54	Count of Female Non-Smoker	16
		Count of Female Smoker	0
		Count of Male Non-smoker	15
		Count of Male Smoker	0
15	55	Count of Female Non-Smoker	19
		Count of Female Smoker	0
		Count of Male Non-smoker	11
		Count of Male Smoker	0
20	56	Count of Female Non-Smoker	10
		Count of Female Smoker	0
		Count of Male Non-smoker	19
		Count of Male Smoker	0
25	57	Count of Female Non-Smoker	10
		Count of Female Smoker	0
		Count of Male Non-smoker	7
		Count of Male Smoker	0
30	58	Count of Female Non-Smoker	20
		Count of Female Smoker	0
		Count of Male Non-smoker	6
		Count of Male Smoker	0
35	59	Count of Female Non-Smoker	17
		Count of Female Smoker	0
		Count of Male Non-smoker	9
		Count of Male Smoker	0
40	60	Count of Female Non-Smoker	10
		Count of Female Smoker	0
		Count of Male Non-smoker	4
		Count of Male Smoker	0
45	61	Count of Female Non-Smoker	18
		Count of Female Smoker	0
		Count of Male Non-smoker	11
		Count of Male Smoker	0
	62	Count of Female Non-Smoker	13
		Count of Female Smoker	0
		Count of Male Non-smoker	6
		Count of Male Smoker	0
	63	Count of Female Non-Smoker	16
		Count of Female Smoker	0
		Count of Male Non-smoker	9

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	Count of Male Smoker	0
5	Count of Female Non-Smoker	20
	Count of Female Smoker	0
	Count of Male Non-smoker	10
	Count of Male Smoker	0
10	Count of Female Non-Smoker	15
	Count of Female Smoker	0
	Count of Male Non-smoker	13
	Count of Male Smoker	0
15	Count of Female Non-Smoker	13
	Count of Female Smoker	0
	Count of Male Non-smoker	7
	Count of Male Smoker	0
20	Count of Female Non-Smoker	17
	Count of Female Smoker	0
	Count of Male Non-smoker	15
	Count of Male Smoker	0
25	Count of Female Non-Smoker	20
	Count of Female Smoker	0
	Count of Male Non-smoker	8
	Count of Male Smoker	0
30	Count of Female Non-Smoker	13
	Count of Female Smoker	0
	Count of Male Non-smoker	14
	Count of Male Smoker	0
	Count of Female Non-Smoker	12
	Count of Female Smoker	0
	Count of Male Non-smoker	8
	Count of Male Smoker	0
	TOTAL COUNT =	910

Table 2: Example of Alternate Mortality Matrix

[0029] After structuring mortality matrix 51, the participant pool of donors who will 35 participate in the life insurance program is formed. The participant pool is constructed such that it closely mirrors the mortality matrix 51, and thus the "ideal" participant pool. As mentioned previously, construction of the mortality matrix 51 and the participant pool may be performed by the organization, although it is more likely that another entity will perform this step.

[0030] Referring again to FIG. 1, the organization obtains a list of donors 15 that form

the participant pool for the life insurance program. The next step in the fund-raising method is purchasing a life insurance policy on the life of each donor 17 in the participant pool. For a participant pool containing one-thousand donors, one-thousand life insurance policies are purchased. In a preferred embodiment, each donor in the participant pool is insured for \$125,000 payable to the organization upon the death of that donor. It is certainly conceivable, however, 5 that the dollar value of insurance provided for each donor could be more or less than \$125,000.

10 [0031] Several sub-steps can be involved in purchasing life insurance policies 17. In a preferred embodiment, paying an advance premium payment 19 covers all premiums for the life insurance policies in the participant pool for a selected number of years. Preferably, the selected number of years is six years. The organization pays the advance premium payment at the beginning of the life insurance program, and no further premiums are due until the beginning of the seventh year. After the selected number of years (six years in the preferred embodiment), the life insurance program is funded by paying a recurring premium payment 21. The recurring premium payment is paid each year for each remaining policy in the participant pool.

15 [0032] Preferably, the life insurance policy purchased on the life of each donor is a non dividend paying, non participating, flexible premium adjustable universal life insurance policy. This type of policy builds a cash surrender value 23 for each policy as premiums are paid. Since the owner of a universal life policy can typically access the cash surrender value of a policy, proceeds from the cash surrender value may be used to pay future recurring premiums as 20 explained in more detail below. It is also important to note that financial benefit to the organization is enhanced by purchasing an extremely low-load policy for each of the donors. An example of this type of policy is offered by Transamerica Occidental Life Insurance Company at

an adjustable load (as low as one percent (1%). While it is preferable to use universal life insurance policies with the fund-raising method of the present invention, it is possible to use other types of policies, including but not limited to term life policies, or Group life policies.

5 [0033] The fund-raising method of the present invention includes the step of receiving a death benefit payment 25 from one of the life insurance policies upon the death of one of the donors in the participant pool. Over the course of the life insurance program, all of the donors will eventually expire. Assuming that 1,000 donors form the participant pool, and assuming that each donor is insured for \$125,000, the gross amount of death benefit payments to the organization over the life of the participant pool will be \$125 million.

10 [0034] The source of funding for the advance premium payment can largely determine the level of overall benefit obtained by the organization. The most desirable choice is to pay the advance premium payment with proceeds from a donation given to the organization. Alternatively, the organization may choose to pay the advance premium payment with unallocated funds that are currently within the organization's possession. A third method of funding is for the organization to obtain a loan to pay the advance premium payment. Because of the high level of predictability afforded by the life insurance program, financing of the advance premium payment has been approved by banks and organizations such as A.I. Credit Corporation. When the organization receives a loan for the advance premium payment, the principal of the loan can be repaid with proceeds from the death benefit payments received in a given year. Any interest on the loan is preferably paid by a monetary donation to the organization. Alternatively, interest can be paid with proceeds from the death benefit payment or cash surrender values of the policy.

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[0035] The life insurance program is designed to support itself as soon as the recurring premium payments are required. As mentioned previously, the advance premium payment covers all premiums for the policies in the participant pool for the selected number of years. After the selected number of years, the recurring premium payments (preferably yearly payments) are made for each of the remaining policies in the participant pool. As donors in the participant pool die, the policies associated with these donors provide death benefit payments, which are used for paying the recurring premium payments 27 (see FIG. 1). The participant pool is structured such that the statistically expected death benefit payments for any given year of the life insurance program will exceed the recurring premium payment for that year. Of course, statistical predictions are not always indicative of actual occurrences. In those years that the death benefit payments within the participant pool do not exceed the recurring premium payments, money can be withdrawn from the cash surrender values of the policies for paying a portion of the recurring premium payments 29 (see FIG. 1).

[0036] Examples of predicted cash flow amounts under the life insurance program are illustrated in Tables 3 through 6 below. Each table displays the expected recurring premium payments and death benefit payments throughout the life of the program. Also shown are the predicted net amounts to the organization in each year of the program. Several assumptions are made with respect to the cash flows shown in each table, and these assumptions represent the preferred method of implementing the life insurance program. First, it is assumed that the participant pool contains one thousand donors, and that the average age of donors in the pool is forty (40) years. The tables further assume that the death benefit payment for each policy is \$125,000, and the advance premium payment is \$3 million. This advance premium payment is

meant to cover the premiums for all policies in the participant pool for the first six years of the life insurance program. Finally, the tables assume that premium payments are made at the beginning of each year and death benefit payments are paid at the end of each year.

[0037] The death benefit payments listed in the tables are not in increments of \$125,000. The estimates for the number of donors dying in each year are statistically based and seldom result in a "whole" number of people dying in any given year. For instance, if the expected death benefit payment in a given year is \$464,000, then 3.7 donors in the participant pool are statistically expected to die in that year.

[0038] Referring more specifically to Table 3, an 80 CSO mortality table predicts the recurring premium payments and death benefit payments over the life of the life insurance program. This mortality table is relatively aggressive and is used by most insurance regulatory organizations, such as the Texas Department of Insurance, to predict mortality. The net proceeds to the organization under this mortality table is over \$74 million.

80 CSO Mortality Schedule			
Year	Premium Payments	Death Benefit Payments	Net to Organization
1	(3,000,000)	281,000	(2,719,000)
2	-	303,000	303,000
3	-	325,000	325,000
4	-	349,000	349,000
5	-	374,000	374,000
6	-	401,000	401,000
7	(270,527)	432,000	161,473
8	(269,577)	464,000	194,423
9	(341,799)	498,000	156,201
10	(340,404)	536,000	195,596
11	(411,526)	577,000	165,474
12	(409,564)	624,000	214,436

13	(527,278)	678,000	150,722
14	(524,295)	739,000	214,705
15	(615,779)	806,000	190,221
16	(611,588)	880,000	268,412
17	(700,398)	960,000	259,602
18	(694,638)	1,042,000	347,362
19	(780,171)	1,128,000	347,829
20	(772,500)	1,224,000	451,500
21	(1,146,266)	1,327,000	180,734
22	(1,132,730)	1,441,000	308,270
23	(1,315,332)	1,571,000	255,668
24	(1,296,480)	1,717,000	420,520
25	(1,488,522)	1,878,000	389,478
26	(1,462,230)	2,048,000	585,770
27	(1,535,955)	2,223,000	687,045
28	(1,502,610)	2,401,000	898,390
29	(1,642,586)	2,578,000	935,414
30	(1,599,276)	2,760,000	1,160,724
31	(1,737,778)	2,952,000	1,214,222
32	(1,682,280)	3,204,000	1,521,720
33	(1,708,324)	3,386,000	1,677,676
34	(1,641,281)	3,631,000	1,989,719
35	(1,696,207)	3,879,000	2,182,793
36	(1,613,196)	4,108,000	2,494,804
37	(1,639,325)	4,306,000	2,666,675
38	(1,540,287)	4,469,000	2,928,713
39	(1,487,500)	4,580,000	3,092,500
40	(1,378,496)	4,649,000	3,270,504
41	(1,374,392)	4,686,000	3,311,608
42	(1,253,493)	4,692,000	3,438,507
43	(1,167,554)	4,667,000	3,499,446
44	(1,043,412)	4,604,000	3,560,588
45	(920,945)	4,483,000	3,562,055
46	(813,753)	4,293,000	3,479,247
47	(697,842)	4,031,000	3,333,158
48	(593,368)	3,708,000	3,114,632
49	(492,510)	3,336,000	2,843,490
50	(401,771)	2,938,000	2,536,229
51	(321,858)	2,535,000	2,213,142
52	(258,484)	2,142,000	1,883,516
53	(198,937)	1,774,000	1,575,063
54	(149,620)	1,440,000	1,290,380
55	(109,588)	1,152,000	1,042,412
56	(75,888)	913,000	837,112
57	(51,054)	718,000	666,946
58	(31,525)	555,000	523,475

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

Specification, Inventor - Lee

59	(16,236)	397,000	380,764
60	(5,564)	207,000	201,436
61	-	-	-
Totals	(50,494,500)	125,000,000	74,505,500

Table 3: 80 CSO Mortality Schedule

[0039] Referring to Table 4, an 83 GAM mortality table predicts the recurring premium payments and death benefit payments over the life of the life insurance program. This mortality table is less aggressive and is often used by planners to predict pension mortality. The net proceeds to the organization under this mortality table is over \$67 million.

83 GAM Mortality Schedule			
Year	Premium Payments	Death Benefit Payments	Net to Organization
1	(3,000,000)	155,000	(2,845,000)
2	-	171,000	171,000
3	-	190,000	190,000
4	-	213,000	213,000
5	-	240,000	240,000
6	-	271,000	271,000
7	(272,272)	306,000	33,728
8	(271,599)	344,000	72,401
9	(344,708)	386,000	41,292
10	(343,627)	431,000	87,373
11	(415,796)	478,000	62,204
12	(414,171)	527,000	112,829
13	(533,667)	577,000	43,333
14	(531,128)	628,000	96,872
15	(624,432)	680,000	55,568
16	(620,896)	732,000	111,104
17	(712,026)	785,000	72,974
18	(707,316)	842,000	134,684
19	(795,899)	903,000	107,101
20	(789,759)	974,000	184,241
21	(1,174,703)	1,055,000	(119,703)
22	(1,163,942)	1,148,000	(15,942)
23	(1,355,568)	1,258,000	(97,568)
24	(1,340,472)	1,384,000	43,528

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25	(1,544,508)	1,530,000	(14,508)
26	(1,523,088)	1,696,000	172,912
27	(1,606,440)	1,883,000	276,560
28	(1,578,195)	2,084,000	505,805
29	(1,732,567)	2,292,000	559,433
30	(1,694,062)	2,502,000	807,938
31	(1,848,698)	2,707,000	858,302
32	(1,797,806)	2,903,000	1,105,194
33	(1,835,955)	3,094,000	1,258,045
34	(1,774,694)	3,288,000	1,513,306
35	(1,847,740)	3,487,000	1,639,260
36	(1,773,118)	3,695,000	1,921,882
37	(1,820,703)	3,910,000	2,089,297
38	(1,730,773)	4,121,000	2,390,227
39	(1,692,894)	4,316,000	2,623,106
40	(1,590,173)	4,485,000	2,894,827
41	(1,608,088)	4,617,000	3,008,912
42	(1,488,970)	4,703,000	3,214,030
43	(1,410,039)	4,735,000	3,324,961
44	(1,284,088)	4,708,000	3,423,912
45	(1,158,856)	4,620,000	3,461,144
46	(1,051,542)	4,473,000	3,421,458
47	(930,771)	4,281,000	3,350,229
48	(821,222)	4,042,000	3,220,778
49	(711,280)	3,768,000	3,056,720
50	(608,790)	3,466,000	2,857,210
51	(514,515)	3,146,000	2,631,485
52	(438,406)	2,811,000	2,372,594
53	(360,260)	2,469,000	2,108,740
54	(291,622)	2,130,000	1,838,378
55	(232,408)	1,822,000	1,589,592
56	(177,834)	1,531,000	1,353,166
57	(136,190)	1,244,000	1,107,810
58	(102,354)	994,000	891,646
59	(74,431)	778,000	703,569
60	(53,518)	596,000	542,482
61	-	-	-
Totals	(56,258,581)	123,605,000	67,346,419

Table 4: 83 GAM Mortality Schedule

[0040] Referring to Table 5, a UP84 mortality table predicts the recurring premium payments and death benefit payments over the life of the life insurance program. This mortality

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

Specification, Inventor - Lee

table is often used by large insurance companies in product design, and in the present invention, use of the UP84 mortality table (and adjustments thereto) is preferred to predict cash flow during the life of the insurance program. The net proceeds to the organization under this mortality table is over \$74 million.

UP84 Mortality Schedule			
Year	Premium Payments	Death Benefit Payments	Net to Organization
1	(3,000,000)	266,000	(2,734,000)
2	-	290,000	290,000
3	-	318,000	318,000
4	-	350,000	350,000
5	-	383,000	383,000
6	-	421,000	421,000
7	(270,538)	463,000	192,462
8	(269,520)	512,000	242,480
9	(341,592)	565,000	223,408
10	(340,010)	620,000	279,990
11	(410,761)	678,000	267,239
12	(408,456)	744,000	335,544
13	(525,316)	818,000	292,684
14	(521,717)	894,000	372,283
15	(611,926)	974,000	362,074
16	(606,861)	1,054,000	447,139
17	(693,900)	1,142,000	448,100
18	(687,048)	1,238,000	550,952
19	(770,236)	1,344,000	573,764
20	(761,097)	1,450,000	688,903
21	(1,126,855)	1,565,000	438,145
22	(1,110,892)	1,689,000	578,108
23	(1,286,664)	1,824,000	537,336
24	(1,264,776)	1,969,000	704,224
25	(1,448,006)	2,122,000	673,994
26	(1,418,298)	2,286,000	867,702
27	(1,485,315)	2,460,000	974,685
28	(1,448,415)	2,630,000	1,181,585
29	(1,578,041)	2,784,000	1,205,959
30	(1,531,270)	2,923,000	1,391,730
31	(1,658,611)	3,065,000	1,406,389
32	(1,600,989)	3,208,000	1,607,011
33	(1,622,630)	3,349,000	1,726,370

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

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34	(1,556,320)	3,498,000	1,941,680
35	(1,607,226)	3,643,000	2,035,774
36	(1,529,265)	3,781,000	2,251,735
37	(1,556,640)	3,910,000	2,353,360
38	(1,466,710)	4,026,000	2,559,290
39	(1,421,907)	4,100,000	2,678,093
40	(1,324,327)	4,154,000	2,829,673
41	(1,328,442)	4,184,000	2,855,558
42	(1,220,495)	4,187,000	2,966,505
43	(1,146,965)	4,149,000	3,002,035
44	(1,036,602)	4,065,000	3,028,398
45	(928,473)	3,938,000	3,009,527
46	(836,109)	3,780,000	2,943,891
47	(734,049)	3,593,000	2,858,951
48	(641,757)	3,378,000	2,736,243
49	(549,875)	3,136,000	2,586,125
50	(464,576)	2,873,000	2,408,424
51	(386,430)	2,592,000	2,205,570
52	(322,897)	2,300,000	1,977,103
53	(258,957)	2,003,000	1,744,043
54	(203,274)	1,703,000	1,499,726
55	(155,930)	1,416,000	1,260,070
56	(114,050)	1,148,000	1,033,950
57	(82,824)	904,000	821,176
58	(58,235)	690,000	631,765
59	(39,003)	506,000	466,997
60	(25,402)	357,000	331,598
61	-	-	-
Totals	(49,796,477)	124,412,000	74,615,523

Table 5: UP84 Mortality Schedule

[0041] Referring to Table 6, an 85-90 Ultimate mortality table predicts the recurring premium payments and death benefit payments over the life of the life insurance program. This mortality table (and adjustments thereto) is one of the least aggressive and is used by some insurance companies for more contemporary product design. The net proceeds to the organization under this mortality table is over \$67 million.

85-90 Ultimate Mortality Schedule			
Year	Premium Payments	Death Benefit Payments	Net to Organization
1	(3,000,000)	68,750	(2,931,250)
2	-	102,444	102,444
3	-	132,319	132,319
4	-	159,612	159,612
5	-	181,824	181,824
6	-	205,186	205,186
7	(273,130)	240,851	(32,279)
8	(272,600)	282,513	9,913
9	(346,154)	323,901	(22,253)
10	(345,247)	357,578	12,330
11	(418,013)	394,654	(23,360)
12	(416,671)	442,407	25,736
13	(537,275)	490,874	(46,401)
14	(535,115)	560,655	25,540
15	(629,493)	644,020	14,527
16	(626,145)	741,740	115,596
17	(718,024)	847,268	129,244
18	(712,940)	937,517	224,576
19	(801,624)	1,020,892	219,268
20	(794,682)	1,105,543	310,861
21	(1,180,746)	1,199,268	18,522
22	(1,168,514)	1,301,404	132,890
23	(1,359,105)	1,390,818	31,712
24	(1,342,416)	1,486,725	144,310
25	(1,545,337)	1,621,500	76,163
26	(1,522,636)	1,872,843	350,206
27	(1,603,303)	2,000,923	397,619
28	(1,573,290)	2,106,110	532,821
29	(1,726,702)	2,244,712	518,011
30	(1,688,991)	2,419,881	730,891
31	(1,844,567)	2,643,225	798,658
32	(1,794,874)	2,855,569	1,060,694
33	(1,833,806)	3,044,304	1,210,497
34	(1,773,529)	3,225,494	1,451,965
35	(1,847,819)	3,415,011	1,567,192
36	(1,774,738)	3,617,479	1,842,742
37	(1,824,226)	3,807,874	1,983,648
38	(1,736,645)	3,941,430	2,204,784
39	(1,703,244)	4,117,128	2,413,884
40	(1,605,257)	4,262,024	2,656,767
41	(1,630,192)	4,401,518	2,771,326
42	(1,516,633)	4,516,391	2,999,758
43	(1,443,524)	4,532,449	3,088,925

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

Specification, Inventor - Lee

44	(1,322,961)	4,555,760	3,232,799
45	(1,201,778)	4,516,154	3,314,377
46	(1,097,913)	4,426,218	3,328,304
47	(978,406)	4,260,050	3,281,645
48	(869,780)	4,050,551	3,180,771
49	(759,605)	3,802,771	3,043,166
50	(656,169)	3,523,050	2,866,881
51	(560,342)	3,219,084	2,658,742
52	(483,212)	2,906,226	2,423,014
53	(402,419)	2,589,814	2,187,394
54	(330,422)	2,275,279	1,944,857
55	(267,170)	1,968,502	1,701,332
56	(207,860)	1,678,776	1,470,916
57	(162,197)	1,408,255	1,246,058
58	(123,893)	1,159,036	1,035,143
59	(91,280)	1,697,924	1,606,644
60	(45,640)	1,697,924	1,652,284
61	-	-	-
Totals	(57,028,257)	125,000,000	67,971,743

Table 6: 85-90 Ultimate Mortality Schedule

METHOD OF RAISING FUNDS FOR AN ORGANIZATION

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[0042] By structuring the ideal participant pool such that generally more pool members

are included having ages near the average age of the pool, and by causing the profile of the ideal participant pool to follow the mortality matrix, the predictability of death within the participant pool in any given year is increased. Since the predictability of death is relatively high, it is easy to predict the amount of death benefit payments that will be received and the amount of recurring premium payments that will need to be paid in any given year.

[0043] The primary advantage of the present invention is that it provides a method by

which an organization can predictably raise funds through the purchase of life insurance on the organization's donors. By purchasing life insurance policies on a participant pool of donors that has been structured to match a mortality matrix, the organization can obtain predictable results regarding the cash flow of premiums and death benefit payments during the life insurance

program. Another advantage of the present invention is that the organization purchases life insurance policies on a participant pool that is selectively structured based on donors' ages, genders, and smoking classifications. Another advantage of the present is that donors participating in the life insurance program are not required to undergo medical screening examinations and are not required to provide medical histories. This significantly increases the level of donor participation in the program since many donors would consider medical examinations too personally invasive or time intensive.

5 [0044] The present invention will primarily be used by non-profit organizations such as charities, churches, schools, hospitals, and other foundations. However, one skilled in the art of the invention will see that the methods embodied herein could be used by any person, organization, or other entity that is allowed to hold an insurable interest on the lives of donors making up a participant pool. One skilled in the art of the invention will also recognize that many different ways exist to purchase the life insurance policies. As previously described, the organization preferably pays an advance premium payment followed by a series of recurring premium payments. However, recurring premium payments could be used solely in lieu of any advance premium payment. The frequency of payments and amount of premiums under the life insurance program could also vary depending upon the construction of the participant pool and the insurance policies available to the participant pool.

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20 [0045] It should be apparent from the foregoing that an invention having significant advantages has been provided. While the invention is shown in only a few of its forms, it is not just limited but is susceptible to various changes and modifications without departing from the spirit thereof.

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